

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

---

Report No. 58062

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**

Grays Harbor County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: January 31, 1997

---

## TABLE OF CONTENTS

	Page
<hr/> <b>Management Section</b> <hr/>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260) . . . . .	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level . . . . .	M-3
<hr/> <b>Financial Section</b> <hr/>	
Independent Auditor's Report On Financial Statements Of HUD Supported Programs And Supplemental Information Required By HUD . . . . .	F-1
Financial Statements:	
Balance Sheet - SF-219 - 1995 . . . . .	F-3
Balance Sheet - Section 8 Existing Funds - SF-0120-E - 1995 . . . . .	F-6
Statement Of Operating Receipts And Expenditures - SF-219 - 1995 . . . . .	F-9
Voucher For Payment Of Annual Contributions And Operating Statement - Section 8 Existing Funds - SF-0120-E - 1995 . . . . .	F-11
Statement Of Income And Expense And Changes In Accumulated Surplus Or Deficit From Operations - SF-219 - 1995 . . . . .	F-15
Notes To Financial Statements . . . . .	F-16
Supplementary Information:	
Actual Modernization Cash Certificate - 1995 . . . . .	F-21
<hr/> <b>Single Audit Section</b> <hr/>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance . . . . .	S-1
Schedule Of Federal Financial Assistance - 1995 . . . . .	S-2
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs . . . . .	S-3
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs . . . . .	S-5
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs . . . . .	S-7
Schedule Of Federal Findings:	
1. Housing Authority Should Comply With HUD Requirements . . . . .	S-11
2. The Housing Authority Should Improve Its Internal Controls And Record Keeping Procedures . . . . .	S-12
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Affirmative Fair Housing . . . . .	S-14
<hr/> <b>Addendum</b> <hr/>	
Directory Of Officials . . . . .	A-1

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the financial statements, as listed in the table of contents, of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Housing Authority of Grays Harbor County is the responsibility of the housing authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the housing authority's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the housing authority complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the housing authority's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the housing authority and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

We noted matters involving noncompliance with laws and regulations related to federal financial assistance which were reported to the housing authority's management in our reports on general requirements and specific requirements for major programs and in the Schedule of Federal Findings.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Internal Control Structure**  
**At The Financial Statement Level**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the financial statements of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the housing authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the housing authority, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

We also noted matters involving compliance with laws and regulations related to federal financial assistance which were reported to the housing authority's management in our reports on general requirements and specific requirements for major programs and the Schedule of Federal Findings.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the housing authority in a separate letter dated January 16, 1997.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Financial Statements Of HUD Supported  
Programs And Supplemental Information Required By HUD**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the accompanying financial statements of the programs supported by the U.S. Department of the Housing and Urban Development (HUD) of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995. These financial statements are the responsibility of the housing authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the HUD supported programs of the housing authority and are not intended to present fairly the financial position and results of operations of the Housing Authority of Grays Harbor County, taken as a whole, in conformity with generally accepted accounting principles.

The housing authority's policy is to prepare its financial statements referred to above on the basis of accounting practices prescribed or permitted by HUD, which is a basis of accounting other than generally accepted accounting principles. The accounting practices prescribed by HUD differ from generally accepted accounting principles, including the lack of required note disclosures. The effects of these departures from generally accepted accounting principles are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial positions of the HUD supported programs of the Housing Authority of Grays Harbor County as of December 31, 1995, or the results of their operations for the fiscal year then ended.

However, in our opinion, such financial statements present fairly, in all material respects, the financial positions of the HUD supported programs of the Housing Authority of Grays Harbor County at December 31, 1995, and the results of their operations for the fiscal year then ended, in conformity with the prescribed basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Actual Modernization/Development Cost Certificates for Project WA19P018910-Z is not a required part of the financial statements but is supplemental information required by HUD. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the respective HUD supported programs and, in our opinion, is fairly presented in all material respects in relation to the financial statements of such programs taken as a whole, on the basis of accounting practices prescribed or permitted by HUD.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 1997, on our consideration of the housing authority's internal control structure and a report dated January 16, 1997, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Supplementary Information**  
**Schedule Of Federal Financial Assistance**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the financial statements of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997. These financial statements are the responsibility of the housing authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Housing Authority of Grays Harbor County taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the financial statements of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997.

We have applied procedures to test the housing authority's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

The following requirement was determined to be not applicable to its federal financial assistance programs:

- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the housing authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the housing authority had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Federal Findings have been reported to management in a separate letter dated January 16, 1997.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Major Federal Financial Assistance Programs**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the financial statements of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997.

We also have audited the housing authority's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to rent limitations, adjustments of contract rent and utility allowances, annual inspections, lead based paint, and competitive bidding as described in the *OMB Compliance Supplement for Single Audits of State and Local Governments* and the *HUD Consolidated Audit Guide for Audits of HUD Programs*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the housing authority is responsible for the housing authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the housing authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to in the second paragraph, which are described in the accompanying Schedule of Federal Findings and have been reported to management in a separate letter dated January 16, 1997. We have considered the instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Housing Authority of Grays Harbor County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

---

Board of Commissioners  
Housing Authority of Grays Harbor County  
Aberdeen, Washington

We have audited the financial statements of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 16, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the housing authority complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the housing authority's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated January 16, 1997.

The management of the housing authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Cash disbursements
  - Accounts payable
  - Purchasing and receiving
  - Payroll
  - Property, plant, and equipment
  - General ledger
- **General Requirements**
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Cash management
  - Relocation assistance and real property acquisition
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements
- **Specific Requirements**
  - Types of services
  - Eligibility
  - Reporting
  - Special requirements
- **Claims For Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Receivables
  - Inventory control
- **General Requirements**
  - Subrecipient monitoring
- **Specific Requirements**
  - Matching, level of effort, earmarking
- **Claims For Advances**

- **Amounts Claimed Or Used For Matching**

During the fiscal year ended December 31, 1995, the housing authority expended 100 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the housing authority's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the housing authority's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

We noted certain matters involving the internal control structure and its operation that we have reported to the management of the housing authority in a separate letter dated January 16, 1997.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

January 16, 1997

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Schedule Of Federal Findings**

---

1. The Housing Authority Should Comply With Housing And Urban Development (HUD) Requirements

During our audit of the Housing Authority of Grays Harbor County we noted the following violations of HUD policies:

- Quality control reinspections are not being performed correctly. The "reinspections" are done at the same time as the initial inspection. No log is maintained and there is no determination or documentation that at least 5 percent of the units have been reinspected.
- Numerous Section 8 and Low Rent reports were not submitted to HUD in a timely manner. Section 8 forms HUD-52672, 52673, and 52663 were submitted 20 days late for 1995 and 4 months and 30 days late for 1996. Section 8 annual financial statements HUD-52681 and 52595 were submitted 4 months and 9 days late for 1995. Low rent annual financial statements HUD-52595, 52596, 52598, 52599, and 52266 were submitted 4 months and 9 days late for 1995. Low Rent operating budget forms HUD-52564 and 52723 were submitted 1 month and 16 days late for 1995 and 1 month and 23 days late for 1996. Low Rent TARS report HUD-52295 was submitted 5 months and 5 days late for 1995.

Per HUD Handbook 7420.7 CHG 3, Chapter 5, Section 12b.:

... the PHA must establish procedures for reviewing a sample of completed inspections. The reinspection by a supervisor of a random sample of 5% of the approved units is required.

Due dates of most reports are established by HUD in its guidebook entitled *Public and Indian Housing Low Rent Technical Accounting Guide*.

The conditions noted above appear to have been caused by a number of factors including: turnover in management personnel, shortage of staff, lack of training, the contracted accountants not performing in a timely or accurate manner, and HUD not providing budgetary data in a timely manner.

We recommend quality control inspections be performed on a random sample of at least 5 percent of the rental units. A record of those units inspected should be maintained as evidence this HUD requirement is being met.

We further recommend a calendar of required report due dates be maintained for each federal program. The executive director should monitor this calendar to assure federal reporting requirements are met.

### Auditee's Response

*As of December 5, 1996, 5% of all rental units under lease are reinspected by a supervisor. A log is maintained which records those units randomly selected for a "quality control reinspection."*

*Certain data is needed to prepare the budget, data which can only be supplied by HUD to the Housing Authority. This information has not been received until late in the fourth quarter, example: November 1994 for the 1995 budget preparation. This year the required information was received from HUD on December 6, 1996, to be used in preparation of the 1997 budget.*

*An annual calendar has been prepared and is being reviewed by the Executive Director on a regular basis. All reports and due dates are listed.*

## 2. The Housing Authority Should Improve Its Internal Controls And Record Keeping Procedures

During our audit of the Housing Authority of Grays Harbor County, we noted the following internal control weaknesses and deficiencies:

- Units under lease, as recorded on the Schedule of Administrative Fees and Hard-to-house Fees Earned, did not agree with the HAP Register for eight of the last twelve months. This has been a finding or criticism for the last three years.
- No general ledger has been prepared for 1996. Not all receipts and disbursements have been input to the Lindsey system (HUD subsidies and drawdowns, interest income, etc.). No double entry accounting system exists at this time.
- No bank reconciliations have been prepared for 1996.
- The number of occupied units reported on the Report on Occupancy for Public Housing (HUD-51234) as of June 30, 1996, did not agree with the rent register for four out of eight projects.
- No subsidiary ledger of repayment agreements has been maintained. Balances under formal repayment agreement per the TARS report do not agree with supporting documentation. Total tenant accounts receivable per the TARS report do not agree with the rent register.

These problems appear to be the result of several factors including: a shortage of personnel, lack of training, difficulties with the contracted accountant, and the pulling of numerous accounting functions in-house.

Without proper internal controls and adequate accounting procedures neither the housing authority, HUD, nor the public can be assured assets are properly recorded and accounted for.

We recommend the housing authority maintain a general ledger and supporting subsidiary ledgers. We also recommend underlying documentation be reviewed and corrections made to assure the documentation agrees to reports sent to HUD. We further recommend receipts and disbursements be input in a timely manner and that bank reconciliations be performed regularly and promptly.

### Auditee's Response

*In January of 1995 we were under contract with Kopsa Silvester + Associates; however, during that time we had no in-house accounting. Lack of communication between them and the Housing Authority*

*resulted in untimely and inaccurate submittals to HUD. In February 1995, we hired an accountant without any prior HUD accounting experience. During that time, February through December 1995, that new accountant attempted to understand what was needed to bring the accounting back into this office starting in January of 1996. In December 1995, we advised Kopsa Sylvester + Associates that we would terminate the contract effective January 1, 1997, but that we did expect them to complete any year end reports to close out 1995.*

*One staff person attended Financial Management Training in December 1996 and the Users Conference for the Lindsey Software in November 1996. Several staff members will be attending training in March 1997; two for Section 8 training, one for Low Rent PHM training. These have already been registered. Additional training is planned for Fraud control. We will consider additional training in other areas if anything becomes available which would directly benefit the Housing Authority and its operations.*

*Bank reconciliations have been completed for the Low Rent Operations Account for 1996. They have not been completed for 1996 Section 8 or Comp Grant. On January 1, 1997 we hired a full time receptionist to allow a staff member previously sharing the receptionist duties to assist in the accounting dept. Completing the bank reconciliations for Section 8 and CGP will be a priority.*

*If the Report on Occupancy for Public Housing (HUD 51234) and the Rent Register reports are not run simultaneously, the number of occupied units listed on each report may not agree. That was the case on 6/30/96. In the future, these reports will be run at the same time and compared to ensure accuracy.*

*A subsidiary ledger for all repayment agreements was started in December 1996 and is being kept up to date.*

#### Auditor's Concluding Remarks

Based upon the housing authority's responses to the findings, it appears all issues raised have been, or are being, addressed. We will review the housing authority's compliance during our next regular audit.

We would like to thank the staff of the Housing Authority of Grays Harbor County for their cooperation and assistance throughout the course of this audit.

**HOUSING AUTHORITY OF GRAYS HARBOR COUNTY**  
**Grays Harbor County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With Specific  
Requirements Applicable To Affirmative Fair Housing**

---

We have also audited the financial statements of the Housing Authority of Grays Harbor County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 16, 1997.

We have also applied procedures to test the housing authority's compliance with the Affirmative Fair Housing requirements applicable to its HUD-assisted programs for the fiscal year ended December 31, 1995.

Our procedures were limited to the applicable compliance requirement described by the *Consolidated Audit Guide for Audits of HUD Programs* (the guide) issued by the U.S. Department of Housing and Urban Development, Office of Inspector General, in July 1993. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the housing authority's compliance with the Affirmative Fair Housing requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the guide.

This report is intended for the information of management and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Brian Sonntag  
State Auditor

January 16, 1997